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SUBJECT: KAZAKHSTAN: UST-KAMENOGORSK,S EASTERN MINING
INSTITUTE SEEKS ADDITIONAL INTERNATIONAL COOPERATION

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: Poloff met on September 10 in Ust-Kamenogorsk with the Director of the Eastern Mining Institute, a largely self-financing research entity that had been part of a mining conglomerate during the Soviet era. He discussed specific projects with international partners from Canada, South America, and Europe. Eastern Mining's Director believes cooperation with Russia, Japan, and China is most critical to the Institute's future, but also expressed interest in expanding cooperation with U.S. enterprises. END SUMMARY.

OFF THE GOVERNMENT DOLE

13. (SBU) Poloff met on September 10 in Ust-Kamenogorsk with Eastern Mining Institute Director Nikolay Ushakov, along with two of his deputy directors, Aleksandr Ananin and Viktor Shumsky. The Eastern Mining Institute was formerly a research branch of a large Soviet mining conglomerate which encompassed mining concern Kazzinc and three other research institutes. The Institute is now a largely self-financing, quasi-government entity with 250 employees. According to Ushakov, direct government funding currently accounts for only a small percentage of Eastern Mining's budget; the Institute thus supports itself through the sale of its research, and from revenue streams from patents and joint-venture operations.

NOSTALGIA FOR THE SOVIET ERA REMAINS

14. (SBU) Ushakov, who has been with the Institute for 37 years, was clearly nostalgic for the reputation and network of connections that the Institute had enjoyed during the Soviet period. He still has a map of the Institute's Soviet-era campus on his wall, and insisted on showing poloff

which facilities the Institute "lost" after the USSR's collapse. Ushakov pointed out that the remaining, smaller facilities were being thoroughly remodeled. (NOTE: While the Institute's facilities appeared to be adequate, they paled in comparison with the much more modern administrative buildings of Ust-Kamenogorsk's Ulba Metallurgical Plant, reported septel. END NOTE.) Ushakov said that he nevertheless welcomed the broadening of opportunities for research that the post-Soviet period provided. He was bullish about the future, noting that Eastern Mining had successfully established a large variety of remunerative international joint ventures.

GLOBALIZATION OPENS UP NEW HORIZONS

15. (SBU) Ushakov reminded poloff that Kazakhstan has particularly rich deposits of aluminum, cadmium, gold, lead, nickel, and zinc. Eastern Mining has been at the forefront of research in extraction techniques for these metals, for instance, in developing a technology for treating low-grade zinc. Ushakov said that Eastern Mining is currently working intensively on hydrometry-related research, and is interested in U.S. experience in this field. He noted that Deputy Director Shumsky's research has been translated into English. Deputy Director Ananin mentioned that the institute was involved in successful projects in Bolivia, Canada, Germany, and Italy. Ushakov explained that Eastern Mining has also cooperated with Kyrgyzstan on gold-extraction projects.

LOOKING EAST TOWARD JAPAN ...

16. (SBU) Despite good cooperation with countries throughout
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Europe and the Americas, Ushakov believes that Eastern Mining Institute's future lies primarily with Russia, Japan, and China. Ushakov pointed out that many potential Russian partners had once been part of the same Soviet mining network as the Institute. "Eastern Mining has a broad network of contacts with Russian firms and Russian partners pay attention to us," Ushakov explained. Ushakov also discussed a very successful pilot program with Japan. The Japanese, Ushakov related, had come to him with a proposal to cooperate on a "very specific technical issue," after having discovered that only two such projects had been carried out successfully before, one in Peru and the other in Kazakhstan. Ushakov reported that the project yielded excellent results and "solid money," although he expressed some disappointment that it had not been larger. He nevertheless hoped that project would lead to more cooperation with Japan.

... AS WELL AS CHINA

17. (SBU) Ushakov was particularly enthusiastic about the prospects for cooperation with China. He explained that countries such as Canada, Germany, and the United States already have mature mining industries, and are not as interested as China is in expanding their mining operations. Consumption of mineral resources in China is currently much greater than production. For example, China is one of the world's largest lead producers, but still needs to import lead because of high domestic demand. Zinc, which is used extensively in construction, is another metal in great demand in China. Ushakov said that last year he had met with Chinese officials and entrepreneurs who were preparing to build a new zinc factory. Eastern Mining expects to sign a cooperative agreement with them by the end of 2008. He noted that Eastern Mining has previously carried out successful joint projects with the Chinese University of Mining and Technology, the China Mining Institute, and the Chinese mining concern China Metallurgical Group. (NOTE: China Metallurgical Group was part of a consortium with Jiangxi Copper that recently won an \$808 million tender for Afghanistan's Aynak copper mine, beating out Kazakhstani copper giant KazakhMys. END NOTE.)

LOOKING FOR MORE U.S. PARTNERS

18. (SBU) Eastern Mining is also interested in greater cooperation with the United States. Ushakov mentioned that representatives of Canada-based Ivanhoe Mines, which is headed by American billionaire Robert Friedland, had visited Eastern Mining in conjunction with the development of gold deposits approximately 80 kilometers from Ust-Kamenogorsk. Ushakov recounted that on his last trip to the United States, he had met with representatives of U.S.-based FFE Minerals and successfully confirmed for them the results of a test Eastern Mining Institute had conducted. Ushakov said he had made a presentation on a cutting-edge Eastern Mining project at an exhibition in Las Vegas, but the presentation failed to secure any new work. Ushakov lamented that the Institute's location in Kazakhstan's remote far-eastern corner limits accessibility for visitors. He complained that U.S. trade delegations visit Astana and Almaty, but not Ust-Kamenogorsk, and requested U.S. government assistance in finding additional American partners interested in cooperating with Eastern Mining Institute.

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